



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

ISSUED JULY 2014

Fresh Fruit or Vegetable Manufacturers B&O Tax Exemptions

Summary

Manufacturers of fresh fruit or vegetables are eligible for exemptions from business and occupation (B&O) tax. Eligible manufacturing activities include canning, preserving, freezing, processing, or dehydrating fresh fruits or vegetables (RCW 82.04.4266).

What the exemptions provide

The B&O tax exemptions provide:

- an exemption from the manufacturing B&O tax on the value of products sold by fresh fruit or vegetable manufacturers; and
- an exemption from wholesaling B&O tax for those products manufactured and sold by the manufacturer at wholesale to a customer that transports the product outside this state in the normal course of business.

These exemptions expire June 30, 2015. When they expire, the income is no longer exempt from B&O tax but will become subject to a reduced B&O tax rate of 0.138 percent for the manufacturing and wholesaling activities. Income from retail sales continues to be reported under the Retailing B&O tax rate of 0.471 percent (RCW 82.04.260 (1)(d)(i)).

Documenting wholesale exemption

A manufacturer taking the wholesale exemption must keep and preserve records for up to five years. Those records must establish that the goods were transported by the purchaser in the ordinary course of business out of this state. A letter from the buyer stating this fact is adequate documentation in conjunction with a copy of the buyer's reseller permit.

How to complete the excise tax return

There is no application required for claiming these exemptions. However, to qualify for the B&O tax exemptions, the business is required to file all returns and surveys through the Department's E-file or My Account system.

Income that is exempt under the Manufacturing B&O tax classification or Wholesaling B&O tax classification should not be included in the gross income you report on your excise tax return.

Other income from wholesale and retail sales should be reported under the Wholesaling and Retailing B&O tax lines of the return.

An Interstate and Foreign Sales deduction is still allowed under the Wholesaling and the Retailing B&O tax lines for product delivered to customers outside the state. The deduction must be itemized as "Interstate and Foreign Sales" on the deduction detail page.

Annual Tax Incentive Survey required

All businesses claiming the exemptions are required to electronically file an Annual Tax Incentive Survey by April 30th of the year following the year the exemption was claimed (RCW 82.32.585). For example, if you claim B&O tax exemptions in 2014, you must file an annual survey by April 30, 2015.

To file a survey, go to our website at dor.wa.gov and login to My Account. Once you're logged in, click on Credits & Tax Incentives, then File Tax Incentive Survey/Report and complete the survey.

Failure to file Annual Tax Incentive Survey results in tax due

If you don't file the survey as required, you will be assessed tax on the previously exempt income under manufacturing and/or wholesaling. The B&O tax rate is as follows:

- For periods prior to June 10, 2010 - the rate of 0.138 percent will apply
- For periods from June 10, 2010 - June 30, 2015 – the rate of 0.484 percent will apply

Need assistance

- Need help logging in to My Account, call 1-877-345-3353 or (360) 902-7079.
- Have general tax questions, please call our Telephone Information Center at 1-800-647-7706.
- Have specific questions regarding the Annual Tax Incentive Survey, please call our Taxpayer Account Administration division at (360) 902-7167.